



GLADWIN RURAL URBAN FIRE
PROTECTION DISTRICT
Gladwin County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2004

26-7500

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Gladwin Rural Urban Fire Protection District	County Gladwin
Audit Date December 31, 2004	Opinion Date February 8, 2005	Date Accountant Report Submitted to State: May 6, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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February 8, 2005

INDEPENDENT AUDITOR'S REPORT

To the Fire Board
Gladwin Rural Urban Fire Protection District
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Gladwin Rural Urban Fire Protection District, Gladwin County, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Fire District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Gladwin Rural Urban Fire Protection District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Gladwin Rural Urban Fire Protection District, Gladwin County, Michigan as of December 31, 2004, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Fire District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of January 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2004

The Management's Discussion and Analysis report of the Gladwin Rural Urban Fire Protection District covers the Fire District's financial performance during the year ended December 31, 2004.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at December 31, 2004, totaled \$979,733.72 for governmental activities.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Gladwin Rural Urban Fire Protection District and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Gladwin Rural Urban Fire Protection District in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Gladwin Rural Urban Fire Protection District as a whole using accounting methods used by private companies. The statement of net assets includes all of the Fire District's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Fire District are reported as governmental activities. This includes the General Fund.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2004

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Gladwin Rural Urban Fire Protection District's funds, focusing on significant (major) funds not the District as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Fire District Board also may create them. Funds are established to account for funding and spending or specific financial resources and to show proper expenditures of those resources.

The Gladwin Rural Urban Fire Protection District has only the General Fund.

FINANCIAL ANALYSIS OF THE FIRE DISTRICT AS A WHOLE

During the year we purchased approximately \$102,000.00 of Fire protection related equipment and paid cash for it.

Our cash position in the governmental activities remains strong.

Our external debt has one year left at approximately \$29,541.69 in principal for a fire truck.

FINANCIAL ANALYSIS OF THE FIRE DISTRICT'S FUNDS

The General Fund pays for most of the Fire District's governmental services. The most significant expenses incurred were \$57,000.00 for new Self-Contained Breathing Apparatus and \$45,000.00 for Hydraulic Extrication Equipment.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Fire District's governmental activities invested \$102,000.00 in capital assets.

The Fire District paid \$27,896.51 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

State revenue sharing represents 0% of our income. Proposal A continues to impede our financial security for operations and funding of both capital improvements to the building and capital equipment needs. The Fire District was funded via a voted one (1) mill of State Equalized Valuation. Proposal A changed the classification to Taxable Valuation.

CONTACTING THE FIRE DISTRICT'S MANAGEMENT

This financial report is designed to provide our taxpayers and creditors with a general overview of the Gladwin Rural Urban Fire Protection District's finances and to demonstrate the Fire District's accountability for the revenues it receives. If you have any questions concerning this report please contact the Fire District's Treasurer at 1-989-426-7111.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2004

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash on hand	50 00
Cash in bank	<u>193 517 69</u>
Total Current Assets	<u>193 567 69</u>
NONCURRENT ASSETS:	
Capital Assets	1 742 500 00
Less: Accumulated Depreciation	<u>(921 750 00)</u>
Total Noncurrent Assets	<u>820 750 00</u>
TOTAL ASSETS	<u><u>1 014 317 69</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Deferred revenue	<u>5 042 28</u>
Total Current Liabilities	<u>5 042 28</u>
NONCURRENT LIABILITIES:	
Contract payable	<u>29 541 69</u>
Total Noncurrent Liabilities	<u>29 541 69</u>
Total Liabilities	<u>34 583 97</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	791 208 31
Unrestricted	<u>188 525 41</u>
Total Net Assets	<u>979 733 72</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 014 317 69</u></u>

The accompanying notes are an integral part of these financial statements.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended December 31, 2004

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants - Contributions</u>	
Governmental Activities:				
Public safety	225 396 27	235 378 80	87 840 00	97 822 53
Interest on long-term debt	<u>3 387 38</u>	<u>-</u>	<u>-</u>	<u>(3 387 38)</u>
Total Governmental Activities	<u>228 783 65</u>	<u>235 378 80</u>	<u>87 840 00</u>	<u>94 435 15</u>
General Revenues:				
Rent income				10 052 28
Interest				2 723 88
Miscellaneous				<u>691 50</u>
Total General Revenues				<u>13 467 66</u>
Change in net assets				107 902 81
Net assets, beginning of year				<u>871 830 91</u>
Net Assets, End of Year				<u>979 733 72</u>

The accompanying notes are an integral part of these financial statements.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

BALANCE SHEET - GOVERNMENTAL FUND
December 31, 2004

	<u>Total (General)</u>
<u>Assets</u>	
Cash on hand	
Cash in bank	50 00
	<u>193 517 69</u>
Total Assets	
	<u>193 567 69</u>
<u>Liabilities and Fund Equity</u>	
Liabilities:	
Deferred revenue	
Total liabilities	<u>5 042 28</u>
	<u>5 042 28</u>
Fund equity:	
Fund balance:	
Unreserved:	
Undesignated	
Total fund equity	<u>188 525 41</u>
	<u>188 525 41</u>
Total Liabilities and Fund Equity	
	<u>193 567 69</u>

The accompanying notes are an integral part of these financial statements.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
December 31, 2004

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	188 525 41
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 742 500 00
Accumulated depreciation	(921 750 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	
	<u>(29 541 69)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>979 733 72</u></u>

The accompanying notes are an integral part of these financial statements.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
Year ended December 31, 2004

	<u>Total (General)</u>
Revenues:	
City of Gladwin	45 924 41
Township of Buckeye	25 713 10
Township of Gladwin	19 966 15
Township of Grout	25 190 23
Township of Hay	36 252 87
Township of Sage	57 511 24
Township of Sherman	24 820 80
Federal grant	87 840 00
Rent income	10 052 28
Interest	2 723 88
Miscellaneous	691 50
Total revenues	<u>336 686 46</u>
Expenditures:	
Public safety:	
Fire protection:	
Services - officers	4 696 25
Services - firemen	33 571 00
Services - maintenance	24 693 20
Services - administration	8 072 20
Payroll taxes	5 485 00
Insurance	23 713 10
Equipment maintenance	6 478 25
Building maintenance	14 342 26
Vehicle maintenance	3 730 88
Vehicle gas and oil	3 032 00
Supplies	18 167 12
Dues and subscriptions	1 785 09
Utilities	12 477 92
Audit	1 200 00
Miscellaneous	852 00
Capital outlay	102 000 00
Debt service	31 283 89
Total expenditures	<u>295 580 16</u>
Excess of revenues over expenditures	41 106 30
Fund balance, January 1	<u>147 419 11</u>
Fund Balance, December 31	<u><u>188 525 41</u></u>

The accompanying notes are an integral part of these financial statements.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year ended December 31, 2004

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND 41 106 30

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense (63 100 00)
Capital Outlay 102 000 00

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt 27 896 51

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 107 902 81

The accompanying notes are an integral part of these financial statements.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Gladwin Rural Urban Fire Protection District, Gladwin County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Fire District contain all the Fire District funds that are controlled by or dependent on the Fire District's executive or legislative branches.

The reporting entity is the Gladwin Rural Urban Fire Protection District. The Fire District is governed by an elected Fire Board. As required by generally accepted accounting principles, these financial statements present the Fire District as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Fire District's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Fire District reports only one fund as follows:

- The General Fund is used to record the operations of the Fire District which pertain to maintaining and operating the Fire District. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Fire District. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

The Fire District does not levy any property taxes.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Fire District as assets with an initial cost of more than \$3,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings
Equipment

50 years
10-20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Fire District provides no post-employment benefits to past employees.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective January 1, 2004, the Fire District implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Fire District's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Fire District's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Fire District's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$820,750.00.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Fire Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Fire Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Fire Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Fire Board during the fiscal year.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Fire District to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Board has designated two banks for the deposit of Fire District funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Fire District's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>193 517 69</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	191 034 77
Uninsured and Uncollateralized	<u>3 932 72</u>
Total Deposits	<u>194 967 49</u>

The Fire District did not have any investments as of December 31, 2004.

Note 4 – Capital Assets

Capital asset activity of the Fire District's Governmental activities for the current year was as follows:

	<u>Balance 1/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/04</u>
<u>Governmental Activities:</u>				
Land	25 000 00	-	-	25 000 00
Buildings	500 000 00	-	-	500 000 00
Equipment	<u>1 115 500 00</u>	<u>102 000 00</u>	-	<u>1 217 500 00</u>
Total	1 640 500 00	102 000 00	-	1 742 500 00
Accumulated Depreciation	<u>(858 650 00)</u>	<u>(63 100 00)</u>	-	<u>(921 750 00)</u>
Net Capital Assets	<u>781 850 00</u>	<u>38 900 00</u>	-	<u>820 750 00</u>

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
December 31, 2004

Note 5 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 1/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/04</u>
Contract payable – fire truck	<u>57 438 20</u>	<u>-</u>	<u>27 896 51</u>	<u>29 541 69</u>
Total	<u><u>57 438 20</u></u>	<u><u>-</u></u>	<u><u>27 896 51</u></u>	<u><u>29 541 69</u></u>

Note 6 – Contract Payable – Fire Truck

On April 28, 2000, the Fire District obtained a contract payable in the amount of \$132,147.61 which was used toward the purchase of a fire truck. The contract bears interest at the rate of 5.8974% per annum and is due in five annual installments beginning May 17, 2001, through May 17, 2005. The principal balance of the contract outstanding as of December 31, 2004, was \$29,541.69. The following are the details of the contract:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
5/17/05	<u>29 541 69</u>	<u>1 742 20</u>	<u>31 283 89</u>
Total	<u><u>29 541 69</u></u>	<u><u>1 742 20</u></u>	<u><u>31 283 89</u></u>

Note 7 – Deferred Compensation Plan

The Fire District does not have a deferred compensation plan.

Note 8 – Risk Management

The Fire District is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Fire District has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 – Pension Plan

The Fire District does not have a pension plan.

GLADWIN RURAL URBAN FIRE PROTECTION DISTRICT
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended December 31, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
City of Gladwin	45 927 61	45 927 61	45 924 41	(3 20)
Township of Buckeye	25 735 32	25 735 32	25 713 10	(22 22)
Township of Gladwin	19 966 15	19 966 15	19 966 15	-
Township of Grout	28 201 05	28 201 05	25 190 23	(3 010 82)
Township of Hay	36 507 47	36 507 47	36 252 87	(254 60)
Township of Sage	57 502 02	57 502 02	57 511 24	9 22
Township of Sherman	24 790 38	24 790 38	24 820 80	30 42
Federal grant	87 840 00	87 840 00	87 840 00	-
Rent income	10 020 00	10 020 00	10 052 28	32 28
Interest	5 000 00	5 000 00	2 723 88	(2 276 12)
Miscellaneous	-	-	691 50	691 50
Total revenues	<u>341 490 00</u>	<u>341 490 00</u>	<u>336 686 46</u>	<u>(4 803 54)</u>
Expenditures:				
Public safety:				
Fire protection:				
Services – officers	4 970 00	4 970 00	4 696 25	(273 75)
Services – firemen	38 000 00	38 000 00	33 571 00	(4 429 00)
Services – maintenance	24 325 00	24 725 00	24 693 20	(31 80)
Services – administration	10 950 00	10 950 00	8 072 20	(2 877 80)
Payroll taxes	5 500 00	5 500 00	5 485 00	(15 00)
Insurance	24 400 00	25 464 00	23 713 10	(1 750 90)
Equipment maintenance	3 700 00	7 700 00	6 478 25	(1 221 75)
Building maintenance	8 000 00	15 000 00	14 342 26	(657 74)
Vehicle maintenance	8 000 00	8 000 00	3 730 88	(4 269 12)
Vehicle gas and oil	4 700 00	4 700 00	3 032 00	(1 668 00)
Supplies	32 600 00	27 850 00	18 167 12	(9 682 88)
Dues and subscriptions	1 500 00	1 650 00	1 785 09	135 09
Utilities	14 000 00	14 000 00	12 477 92	(1 522 08)
Audit	1 500 00	1 500 00	1 200 00	(300 00)
Miscellaneous	7 500 00	7 500 00	852 00	(6 648 00)
Contingency	37 425 00	29 561 00	-	(29 561 00)
Capital outlay	102 000 00	102 000 00	102 000 00	-
Debt service	<u>31 285 00</u>	<u>31 285 00</u>	<u>31 283 89</u>	<u>(1 11)</u>
Total expenditures	<u>360 355 00</u>	<u>360 355 00</u>	<u>295 580 16</u>	<u>(64 774 84)</u>
Excess (deficiency) of revenues over expenditures	(18 865 00)	(18 865 00)	41 106 30	59 971 30
Fund balance, January 1	<u>75 000 00</u>	<u>75 000 00</u>	<u>147 419 11</u>	<u>72 419 11</u>
Fund Balance, December 31	<u>56 135 00</u>	<u>56 135 00</u>	<u>188 525 41</u>	<u>132 390 41</u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

February 8, 2005

To the Fire Board
Gladwin Rural Urban Fire Protection District
Gladwin County, Michigan

We have audited the financial statements of the Gladwin Rural Urban Fire Protection District for the year ended December 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Gladwin Rural Urban Fire Protection District in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Fire Board
Gladwin Rural Urban Fire Protection District
Gladwin County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended December 31, 2004. The implementation of this pronouncement for the Gladwin Rural Urban Fire Protection District began with the year ended December 31, 2004. The daily operations and recording transactions did not change significantly, however, the Fire District is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Fire District's financial statements and this communication of these matters does not affect our report on the Fire District's financial statements, dated December 31, 2004.

To the Fire Board
Gladwin Rural Urban Fire Protection District
Gladwin County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants